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The High Cost of Marketing.

ADDRESS OF

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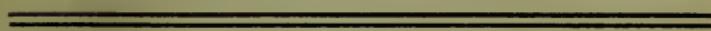
Chairman, St. Louis & San Francisco Railroad Co.,

AT MEETING OF

Texas Farmers' Congress

AT COLLEGE, TEXAS,

July 26, 1911.



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THE HIGH COST OF MARKETING.

There are in Texas one and one-half million people engaged in producing from the soil. No other State in the Union is making such rapid headway in agricultural production. Therefore, Texas has more to gain than any other State by improved conditions in marketing. The farmers do not get as much as they should for their products, and no one can improve this but the farmers themselves. According to Government reports, the producer receives 46 cents for products of the farm for which the consumer pays \$1.00. It is not encouraging to the young farmer boys to see that out of every dollar being paid for the products of the farm their share is only forty-six cents, while the remaining fifty-four cents are distributed among others before these products reach the consumers' tables.

Last year's agricultural products were worth nine billion dollars to the farmers. The Government used farm values in getting figures for this total. Assuming that the farmers kept one-third of the products for their own use the consumers paid over 13 billion dollars for what the producers received 6 billion dollars. The cost of getting the year's products from producers to consumers amounted to the enormous

sum of 7 billion dollars. The real problem to deal with is not high cost of living. It is high cost of selling.

The industrial exports are increasing over agricultural exports at the rate of seven to one, because factory products are marketed in a more businesslike way than farm products. The United States is now exporting two billion dollars' worth of goods a year. In the last twenty-five years our agricultural exports have increased sixty per cent., while our commercial exports have increased nearly four hundred per cent. This is certainly a bad showing for the farmers. It is plain that rural development has not kept pace with manufacturing and city growth.

There may be many reasons for this but there is one which is more important than all others. That is our long neglect of the business side of farming. The late S. A. Knapp, who had charge of farm demonstration work in the Department of Agriculture, and who had more to do with the recent agricultural development in the South than any one man, used to say that one-eighth of successful farming required scientific knowledge, that three-eighths was an art and the remainder was simply business. The business end of husbandry has been sadly neglected, and that is the chief reason why agricultural growth makes such a poor showing in comparison with other national development.

The farmers of this country, to receive better prices, do not have to experiment with untried theories. They only have to copy what others are doing successfully. For instance, the people of Denmark thirty years ago received 12 million dollars for their butter, eggs and bacon. Then they began the organization of market societies. Now the same character of products brings in over 100 million dollars a year. Nearly all their dairy products are marketed through co-operative creameries and their egg export societies have 25,000 members. There is no such talk of high cost of living in that little country because they have a system of economical marketing. The farmers there have organized under trust methods. The commercial waste in the distribution of farm products is reduced to a minimum. They share in the profits of economical marketing.

We know that all farmers are not able to have their own creameries. Therefore a community of farmers get together to build and operate one for the convenience and profit of all. The creamery is the concrete unit around which will be constructed the neighborhood co-operative market. Advanced methods in handling the business of the farm are bound to come. What we must realize is the cost of delay. We have already waited too long. We should now work for prompt improvement in marketing facilities. All well managed creameries

properly located are profitable. In most cases the creamery is the first step in co-operation or in neighborhood marketing. Dairying is universal and creameries are easy to operate. Co-operation in marketing fruits, vegetables, grain, cotton and other products is just as sure of success when practiced under correct business rules. A very little money will add to a creamery facilities for making or storing of ice so that it can be used by members. Marketing of poultry and eggs is so important to so many farmers that facilities for the handling of these products will be added to creameries and to other marketing plants.

The neighborhood market house will become as important and as popular in American life as the country school house. Popular education has been the strongest force in the development of America. These neighborhood co-operative selling plants will play almost as important a part in our future as the free schools have in the past. They will be of important educational value as they will cause small farmers to make close study and application of business methods.

These marketing plants will be a great benefit in improving methods of preparing products for markets. Neglect to offer products for sale in the most attractive and salable conditions is the cause of great loss to farmers. To illustrate, the manager of a dining car line told me a few days ago that

he buys about \$40,000 worth of apples and other fruit annually. He purchases his apples in the States of Oregon and Washington, and sells them on his dining cars, part of which run through the Ozark Mountains of Arkansas and Missouri. He said that there are just as good apples grown in the Ozarks, but the owners of the orchards do not sort and put them up in as attractive packages for his dining car tables. Therefore, he is paying to the Oregon and Washington farmers high prices for products which the Arkansas and Missouri farmers could furnish.

Every producer of perishable foodstuffs who has studied the question of cold storage in the interest of both the farmer and the public, knows that refrigeration has greatly benefitted the farming communities in better preservation and prices, enabling them to sell their perishable products for better prices, and saving them from decay upon their hands. Cold storage is becoming a matter of national importance and one of the subjects to which the farming interests of the country should give consideration. Cold storage is so essential that all national or state regulations should be carefully considered before the enactment of such regulative laws as may be necessary to properly protect the public welfare.

It will be urged by some city people that the development of thousands of these farm market places to the limit of their usefulness

will result in damage to existing business. This alarm is not warranted. Commerce is always aided and not retarded by labor saving machinery and reductions in cost of distribution. Established commission houses will then handle and deliver for the producers on terms to be agreed upon. It is not possible to foresee the extent to which these community marketing plants will grow and develop. The Rochdale weavers in England, in 1844, organized to buy for themselves small packages of tea and sides of bacon at lower cost and the system has extended to include tea plantations in Ceylon and vast establishments in other lines now doing a combined business of a-half billion a year. In England, Scotland and Ireland, there are 1,500 co-operative stores with a membership more than twice as large as the population of Texas—8 million people receiving the profits. They do a business of more than 500 million dollars a year.

American enterprise may be depended upon to see that progress is made in the right direction. These neighborhood marketing establishments will place every farmer with ten or forty acres on the same footing as another with more land and greater harvests. They will give to each of these individuals greater independence and their increased share in the proceeds of their husbandry will enable them, through abundant prosperity, to add to their comfort and contentment.

I have little patience with the work of those busy people at Washington who are trying to find out through commissions and investigations as to what is best for the farmer. If the Government will aid in giving the farmer his proper share of the fruit of his work, so that he will be able to buy for himself the things which will make his farm home the best for his family and himself, then it will attempt something worth while. The farmer is the best judge of his own comforts. He will buy what he wants if he has the money. He needs no advice as to how to spend his money. What he wants is a systematic plan and aid in getting the proper price for his goods.

The Government should assist in finding a way for better farm marketing. There should be a market bureau of the Agricultural Department devoted to accumulating and distributing information on best methods and best markets for selling. The Government should spend some money to demonstrate proper marketing, just as it is doing in the development of good roads work. The Good Roads Department has been brought up to such a high state of efficiency by Mr. Logan W. Page, Director in Charge, that it is now estimated that there is being spent one million dollars a day in the improvement of our public highways. This is good work. The Government can demonstrate proper market facilities

just as it now demonstrates the values of different soils for production. The Government which maintains an expensive and efficient consular service to aid our export trade can afford to expend a few dollars to better the marketing of eggs so that millions will not be destroyed every year because they arrive at the city market in bad or half-bad condition. The Government watches over the purity of manufactured food products, and it is just as important to spend money to find ways and means of decreasing expense of distribution of products in order to give the user better and cheaper food, and the grower better and safer returns for his work. This market department should be broad enough to reach all the farmers of the country. The Government should systematically trace the movement of all farm products to the place of final use and give the country the information. It should give the country the benefit of a thorough investigation of improved selling and marketing systems, including all means of distribution and handling. Results will be immediate. The farmer will reduce his selling cost when he learns in detail about wagon haul costs, freight charges, cold storage charges, distribution in cities, profits to dealers, losses through deterioration, and all things which enter into marketing expense. As the selling expense decreases so will the returns to the farmer increase and the cost of living decrease.

At present there are between 25 and 30 investigations going on in Washington, but not one of them has anything to do with the high cost of selling table necessities. No one can foretell what the result of these investigations may be in regulating commerce and co-operation. Business may be surrounded by such restrictions that the future growth of our industrial development may be retarded so that it may seriously affect the men who organize to sell agricultural products.

Strong business combinations have grown up in our country, in some cases probably too strong for healthful conditions, but they are the result of the work of business men who have taken advantage of their opportunities for organizing their forces and working for a common purpose toward good prices, cutting out useless expenses in distributing their goods to the consumers.

I do not believe in combinations of capital to a point of destroying competition. This country has made the greatest record of any country in the world under competitive conditions. We can go on in our development under the enforcement of the Sherman Anti-Trust Law as we now understand it, and which if enforced as construed by our highest court will prevent any destructive work through any combination of interests.

Let us see how the annual output of your business compares with the output of other industries :

The total business of the steel industry of the United States last year, factory value, amounted to...	\$550,000,000
of oil.....	175,000,000
of lumber.....	1,200,000,000
of sugar.....	350,000,000
of tobacco.....	175,000,000

A total of \$2,450,000,000 while the farm value of agriculture alone the same year amounted to nine billion dollars. Nine billion dollars is a big lot of money. It is the one great item of our national resource. In connection with this great wealth producing business, it is certainly conservative, figured from any standpoint, to say that on the nine billion dollar farm value crop the producers should receive two billion dollars more money than they are now receiving. These two billion dollars saved would mean to the farmers a two billion dollar saving on a nine billion dollar crop. When we discuss figures so large they become mystifying. The two billion dollars we could save by a system of going more direct from the farm to the consumer nearly equals the factory value of all steel, lumber, oil, sugar and tobacco sold in the United States last year. It is more than the combined revenues of France, Italy and Germany. It is more than double the yearly cost of running our own Government. It means to the farmers a dividend of more than two dollars for every minute that has passed since the birth of Christ.

These strong so-called trust organizations have taught us a lesson of distribution. They have shown us that one executive head can direct the distribution of a commodity where under old methods it required hundreds of men. Twenty years have changed our entire system of distribution through organized business combinations, except farm products which are not handled under organization until after they are sold by the producers.

Farmers are beginning to apply the methods of successful business institutions in the distribution of their products. Some of these young organizations are small and some are large, but they are all struggling to commercialize the handling of their products. Within a few years we will have big results from organized farm marketing, and our farm products will be sold and distributed under the same general combination of interests as other large businesses of the country are now handled.

The farmers are vitally interested in general prosperity. They are interested in development and constructive legislation. It is to the advantage of the 30 million people engaged in supplying soil products to feed the 60 million engaged in other business to have these consumers able to feed themselves and families with three hearty meals a day. The producers want them to take big market baskets to the market places and carry them away full. The producers want the thrifty housewives

to be able to inquire at their market places what fresh vegetables, meats and breads they will have next day so that they can prepare wholesome and bountiful meals for happy, prosperous families. This is the way to build up strong, resolute, red blooded Americans and not through the political clap-trap of the ambitious, selfish politicians who are preaching new theories of government without a thought on constructive legislation. Getting back to my subject: Consider the difference to your business in feeding the balance of the world as to whether the hungry woman goes to market and must economize by buying half what she would like to have and that of the cheapest over-kept vegetables, or whether she buys bountifully of the fresh and most wholesome food which you produce. You are therefore just as much interested in well-filled market baskets as the manufacturer is in having a strong man to fill each place on full time in his shop. If a railroad train is abandoned it means less coal for the railroad to buy, and it also means less sale of coal by the producer. The same principle applies to farming.

Formerly conservation as we understood the term applied only to the natural conservation of coal, timber, water power and other resources, but it now extends to nations—their strength, power and health—and to industrial and commercial opportunities. Conservation of the agricultural

waste between the grower and the kitchen is of greater importance than any other and is the one most neglected. All farmers are interested in the two billion dollars of annual waste which can be turned into farm dividends.

It is not my purpose to discuss Texas political matters, but the railroads of Texas are the servants of the people, and I feel justified in referring to one matter. The railroads are operated under rules and regulations fixed by the Railroad Commission of Texas in the interest of the public.

Every economic waste that can be cut out means a step in the direction of better service and lower cost of transportation.

Last season the Railroad Commission of Texas reduced the rate on cotton equal to about \$750,000 on the three million bale crop. If the railroads had increased their rates to that amount, there would have been a feeling that such an advance was unfair to the shippers. Since this reduction in freight rates of 23 cents a bale, the advanced report of railroad operation in the State shows that the Texas railroads paid out on personal injury claims the last fiscal year over two million dollars.

There is no data to establish exact statistics, but I have made diligent inquiry, and from the best information obtainable I find that the people injured by the railroads do not receive more than one-half of the money paid by the railroads for such

accidents. The other half goes to lawyers, court costs and witnesses, instead of to the injured or their families.

At any rate, it is conservative to say that \$750,000 of these two million dollars is an economic waste, and the people of Texas are interested in all matters where money is unnecessarily taken from the railroads which are operated for the public and regulated through state agencies created by the people. To put it in another way, if the \$750,000 reduction in cotton rates last year could be justified on its merits, and the \$750,000 which unnecessarily went to personal injury claim lawyers, etc., could have been retained by the railroads, then a reduction of 1½ million dollars in freight rates could have been made with no more loss to the railroads.

This large amount of money being paid out on personal injury claims, practically half of which goes to lawyers, is permissible under the laws as they stand today, but I contend that this should not be, and that the matter of compensation to lawyers handling claims against the railroads, the servants of the people, should be regulated by a fixed fee or placed under the control of the Railroad Commissioners to pass upon each case, the same as they do upon each case where compensation or regulation of the railroads is concerned.

The earnings of the railroads of Texas have been reduced until they are lower than

they should be under a fair adjustment, and lower probably than many people think who do not study them. The Frisco lines in Texas last year earned \$12.24 gross for each mile each day during the year, and their net earnings were \$1.77 per day for each mile. The average gross earnings of all the roads in Texas were \$18.78 per mile per day, and the average net earnings of all the roads in Texas were \$4.20 a day for each mile of road operated in the State.

A mile of railroad cannot be built, ballasted and equipped for less than \$25,000 or \$30,000. The average net earnings per mile per day earned by the railroads of Texas is not as much as the owner of a good pair of mules and wagon costing \$1,200 would feel justified in taking for the services of his team and driver a day, and these railroads cost \$25,000 to \$30,000 per mile.

This shows clearly that the railroads cannot live and give the service that the public requires without a better net return, which must necessarily call for an advance in rates, but I would prefer to see the remedy accomplished as far as it can be through economies without hurting the service rather than through rate advances.

In conclusion, I want to say that the railroads of the country are interested in production and marketing, and are anxious to co-operate with the farmers in every way they can towards bringing around a better

understanding and better feeling between the two interests, which are natural partners, and which should work together upon all questions of common interest.

I want again to call your attention to the fact that the biggest trust is yet to come ; that is, the co-operative trust of the producers who raise, own and sell foodstuffs to the American people, with increasing exportation to other countries.

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